

MINUTES

HOUSE HEALTH AND WELFARE SUBCOMMITTEE

Medicaid Savings and Efficiencies Task Force Subcommittee

DATE: February 13, 2006

TIME: 3:00 P.M.

PLACE: Room 404

MEMBERS: Chairman Block, Representatives Garrett, Nielsen, Loertscher, Henbest, Rusche All were present

GUESTS: Karl Kurtz, Director, Department of Health and Welfare; Dick Schultz, Administrator, Division of Health; Russ Barron, Administrator, Division of Welfare, David Rogers, Administrator, Division of Medicaid

Chairman Block called the meeting to order at 3:10 P.M. and dispensed with approval of the minutes. The Chairman thanked the members present and welcomed the guests from the Department of Health and Welfare.

Karl Kurtz introduced Dick Schultz presented for the Division of Health, Russ Barron presented for the Division of Welfare, and David Rogers presented for the Division of Medicaid. Mr. Kurtz noted that these presentations of the Department's supplemental requests for State Fiscal Year 2007 were a continuation of the February 9, 2006 meeting.

Dick Schultz distributed the attached "JFAC Budget Presentation for SFY 2007, Division of Health '07 Budget Request." Mr. Schultz discussed two supplemental requests for Menactra, a meningococcal disease vaccine, and Tdap, a pertussis (whooping cough) vaccine. The attachment displayed the incidence, target group (adolescents), impact and cost per dose for meningococcal disease. Mr. Schultz stated outbreaks have increased in college students in close living such as dorm situations. Total annualized General Fund costs would be \$118,000. The second vaccine request would add pertussis to the tetanus/diphtheria booster vaccination. Pertussis in Idaho runs above the national average in 11 to 18 yr olds and after three years, immunity from childhood pertussis vaccines wane. This booster would continue protection and would cost \$32,000 when annualized.

A representative asked if these vaccines were mandatory and Mr. Schultz said they were not mandatory but were offered to targeted populations.

The next supplemental request was for authority to spend receipts from the Vital Records unit and EMS. Receipts from the Vital Records unit would be spent for Vital Records FTPs. No general or federal funds are used for Vital Records. EMS received one-time donations from St. Alphonsus Hospital and the Office of Traffic Safety to develop the Idaho Trauma Registry .

Mr. Schultz next discussed the supplemental request for \$108,900 in General Funds for the adult Cystic Fibrosis (CF) program. He stated the need for additional funds stemmed from increases in eligible individuals and cost per patient. Participating physicians reported increased patient compliance as a result of patients' attendance at CF clinics. Adults paid for services on a sliding fee schedule and those with income below 185%

of the Federal Poverty Guideline (FPG) did not need to pay anything. A representative asked about working with 340b financing with the St. Luke's pharmacy. Mr. Schultz said that 73% of CF program participants received their medications through the St. Luke's pharmacy and that statute did not allow the Department to restrict the use to a particular pharmacy. The representative asked if the statute could be rewritten to allow the State to get the best pricing available. Mr. Schultz said that this would be possible with statutory authority.

A representative asked if the Department had tried educational outreach to let people know about the price breaks realized from using St. Luke's pharmacy. Mr. Schultz said he had met with physicians and asked them to carry the message to their patients.

A representative asked if 340b pricing had been compared with Medicaid information for a possible rebate. David Rogers responded that 340b pricing is lower than any pricing that Medicaid could find.

A representative asked why other pharmacies were not using the 340b pricing and whether hospitals were prohibited from using 340b pricing. Mr. Schultz said a hospital is eligible to use 340b pricing if it is providing a government-funded service to a low income population.

The representative then asked if the individual could request refills by mail once he is established as a St. Luke's patient. Mr. Schultz said mail ordered refills were available but the patient needed to be re-evaluated annually in person.

Mr. Schultz discussed the request for supplemental funding for the Cancer Data Registry. Smoking has decreased but the cost of the contract for the Cancer Data Registry has increased. He requested \$30,000 in general funds.

Mr. Schultz said that the Poison Control program was funded with dedicated funds and asked that \$74,000 of these funds be authorized for payment for the contract with the Rocky Mountain Poison Control Center in Denver, Colorado. The inflation was associated increased call volume and that it would be far less expensive to contract with the Rocky Mountain Poison Control Center than to establish a state program.

Further supplementals were requested for AIDS drug assistance, adult PKU formula and Millennium Fund tobacco counter-marketing. The AIDS program supplemental request resulted from increases in cases because of new infections and from people with AIDS living longer. The number of eligible individuals dropped in State Fiscal Year '06 because Medicare Part D insurance paid for the drugs of individuals eligible for Medicare. Only individuals without insurance were eligible for the AIDS drug program.

A representative noted that some benefit was realized from Medicare Part D because drugs other than AIDS were covered. Mr. Schultz said that the cost per person had increased and not all eligible individuals could receive coverage. The supplemental request was for \$752,200. Fifty-five individuals not served because of lack of funding received their drugs through pharmacy assistance programs. The representative asked how the program decided who to serve and if pharmacy assistance programs would continue? To the first question, Mr. Schultz said individuals were served on a "first come, first served" basis. Mr. Schultz did not know the answer to the second question because it was difficult to tell.

A representative asked if the FPG was used to determine eligibility for

the AIDS Drug Assistance Program. Mr. Schultz said federal rules did not use of a poverty income limit for this program. Several follow-up questions were asked and Mr. Schultz said regardless of how much or how little a state contributed, the limit on federal funds for the program was \$670,000. Current general funds were at \$177,000, federal funds were at \$670,000 and anticipated rebates were at \$150,434. Mr. Schultz said that \$752,200 in general funds were required. That amount represented the difference between current funds and funds required to run the program. The public health interest of the AIDS Drug Assistance program was in reducing the viral load and keeping infectivity down

The Adult PKU formula supplemental request was for \$86,000 in general funds. Adults with PKU needed to continue taking the PKU dietary formula beyond age 18 to reduce further mental and physical deficits resulting from the condition. Insurance companies would not routinely cover dietary supplements. Children under 18 received coverage at no cost to the State through the Maternal and Child Health block grant.

Mr. Schultz next presented the tobacco counter-marketing Millennium Fund supplemental request for \$395,000. Funds were needed to continue the program, with most of the money spent on media campaigns.

The next item was the EMS Patient Care reporting system. The request was for \$206,000 in EMS dedicated funds to automate EMS reporting system. This was followed by a \$50,100 request for general funds one EMS FTP to manage physician orders and provide identifying bracelets for individuals with terminal illness who had restricted resuscitation by EMS responders.

The last item in the Division of Health's supplemental budget request was for \$53,400 in dedicated funds for emergency response to children, in response to a pending federal requirement to move the cost of administrative personnel to the State. Costs for training and child-sized supplies were paid through a \$200,000 federal grant.

A representative asked if all the supplementals were recommended by the Governor. Mr. Schultz responded that all but one were recommended and that one was going to be pulled anyway. A representative asked if there was federal funding available in the cost of vaccines. Mr. Schultz said the state share was 20%. Further discussion of individual requests continued.

MOTION:

Representative Henbest moved that a study be undertaken to investigate whether the cost per patient for adult cystic fibrosis prescriptions could be lowered. The motion was carried by voice vote.

A representative asked if the Cancer Data Registry could be combined with the Millennium Fund?

MOTION

Representative Henbest moved that the Subcommittee recommend to the full Committee that it support the supplemental request for the Cancer Data Registry and discuss shifting funds to the Millennium Fund. The motion was carried by voice vote.

Russ Barron presented the supplemental requests for the Division of Welfare, including:

1. Medicare Part D impact-Additional FTP and temporary staff to provide counseling to individuals affected by Medicare Part D. This work is ongoing because individuals can change their plans when the existing

plan changes or a new prescription is not covered by the existing plan. This request includes FTP to counsel non-clients who contact the Department after May 15, 2006, the ending date for open enrollment. A representative questioned why the FTP were going to Welfare when Medicaid is responsible for case management. David Rogers explained that individuals on Medicare Part D are also eligible for a low-income subsidy and that eligibility for this was determined at the point of first contact in the Welfare division.

2. Request for funding to apply to the Food Stamp sanction. Mr. Barron described the Department's corrective actions to improve payment accuracy. The error rate in FY '05 went from 11.3% to 8.3%. \$138,700 in general funds is needed to pay the penalty and other funds can't be used.

3. EPICS Replacement-Good technology is important. Mr. Barron referred to Bruce Denham's presentation on the supplemental requests for information technology on February 9, 2006.

4. Self Reliance Caseload growth - This request for 25 FTP requiring \$77,000 in general funds supports continued efforts to improve processes and acquire technology.

5. Medicaid Quality Assurance-This request is for 5 FTP. The division is trying to improve timeliness and accuracy and recently started to measure and monitor performance. The Centers for Medicare and Medicaid Services has increased its interest in quality assurance for Medicaid. A representative asked if removing the uninsurance requirement in CHIP B would require a statutory change or a rule change. The response was that a rule change would be required. Mr. Barron said if the requirement is removed, additional families would be eligible and the workload would increase.

7. Child Support Program-This request is for increased audit of records. The caseload has grown by 8.8% and a recent finding by the Office of Performance Evaluation cannot be corrected if this request is unfunded. No FTP are included. A representative asked if this audit would reduce other expenses. Mr. Barron responded that the better job the Department does collecting child support, the more families' need for welfare can be reduced.

MOTION: Representative Henbest moved that the Subcommittee recommend that the full Committee endorse the Medicaid Quality Assurance supplemental request. The motion was carried by voice vote.

MOTION Representative Rusche moved that the Subcommittee recommend to the full Committee that its recommendation to JFAC include the supplemental request for the child support program. The motion failed by voice vote.

MOTION: Representative Neilsen moved that the Subcommittee recommend to the full Committee that the recommendation to JFAC be to fund the entire request. The motion failed by voice vote.

A representative said she preferred to forestall some of these requests and support the document management modernization supplemental request.

MOTION: Representative Garrett moved that Chairman Block, in her report to the full Committee, recognize the Department for doing a yeoman's job in its

implementation of the complex Medicare Prescription Drug Program. The motion was carried by voice vote.

Mr. Barron concluded his report and thanked the Subcommittee.

Mr. Kurtz introduced **David Rogers** who presented the supplemental requests for Medicaid. Mr. Rogers referred to the Representatives' budget books which rolled four Medicaid presentations into a single page. The four areas were: 1) Medicaid administration and management, which includes personnel costs and operating costs; 2) Low income children and adults; 3) Individuals with disabilities; 4) Elderly individuals. Mr. Rogers stated there was \$3 million in carry-over money from FY '05. There was a one-time salary increase and a supplemental for Medicaid administration and Medicaid Management Information System (MMIS) reprocurement. Additional dedicated funds were driven by receipts authority for estate recovery and drug rebates.

Trustee and Benefits monies were split into four appropriations, one for each of the four categories listed above. A non-discretionary funds adjustment of \$32 million was requested for changes in the federal matching rate, caseload growth and utilization and pricing increases. Mr. Rogers provided additional clarification of the Medicaid request.

When asked why the program maintenance figures in parentheses did not add up to the Governor's request, Mr. Rogers said the figures weren't in the Department's request but were in the Governor's request. After further discussion, Mr. Kurtz explained that the Department's budget deadline in September was prior to the Medicaid Modernization reflected in the Governor's budget prepared in December.

A representative noted that non-discretionary adjustment for utilization and pricing and for Part D are the big expenses.

Mr. Rogers agreed and stated that the charge was not to have the reform program cost more than current programs. Mr. Rogers continued with his line-by-line presentation and responded to clarifying questions from representatives.

With respect to the estate recovery program, Mr. Rogers said two pieces of legislation are going forward to strengthen the program. One bill would shorten the deadline for filing claims against the state and the other would name the Department as successor to the state. In addition, general fund dollars would be matched with receipts and receipts would be used for the federal match.

Mr. Rogers continued his line-by-line description of the supplemental requests and concluded his presentation. A representative asked if the Healthy Mothers, Healthy Babies program extended postpartum Medicaid coverage. Mr. Rogers said he wasn't sure what was included. The representative said it appeared that the Department was not paying attention to a Committee recommendation.

MOTION:

Representative Garrett moved that the Subcommittee recommend to the full Committee that the Healthy Mothers, Healthy Babies program provided for in SB1140 not be funded until answers to the questions about the Department's implementation of Healthy Mothers, Healthy Babies are brought back to the Subcommittee. The motion was carried by voice vote.

Chairman Block asked which parts of those items were in legislation that the Department had proposed. Mr. Rogers said a bill that went to print on

February 10, 2006. This bill included \$1.3 million for personal health accounts and adult physical examinations, requiring \$88,000 in general funds. He said a concurrent resolution was being drafted for other prevention services, neonatal care management and postpartum coverage family planning. Chairman Block asked if legislation was planned for the neonatal care management and family planning issues. Mr. Rogers said that depended on discussions between legislators and the Governor's office and that the Department was not drafting the legislation. A representative asked if the Department planned to implement with rules. Mr. Rogers said it would if directed to do so. Discussion continued on implementation of SB1140 and Mr. Rogers said the Department was directed to implement SB1140 and apologized to the Subcommittee for making a significant misreading of what the committee wanted.

A representative clarified the status of SB1140.

MOTION: Representative Henbest moved that the Subcommittee recommend that funding for document imaging be sent forward to the full Committee for its recommend to JFAC. The motion was carried by voice vote.

Representative Rusche congratulated the Department for holding the growth rate on claims for Medicaid payment to 5% to 6%.

MOTION: Representative Henbest moved that the Subcommittee recommend to the full Committee that the Department contract with an outside entity to conduct a market analysis of provider reimbursement to develop a rate structure on the specific items in HB190. The motion was carried by voice vote.

MOTION Representative Garrett moved the Subcommittee recommend to the full Committee that it report to JFAC on the lack of crisis mental health beds and the over-reliance on community hospitals. The motion was carried by voice vote.

MOTION: Representative Neilsen moved that the percentage of change resulting from adding the cost of the Subcommittee's recommendations to the Governor's request be calculated and the result displayed to the full Committee. The motion failed by voice vote.

ADJOURN: The Subcommittee meeting adjourned at 6:45 P.M.

Representative Sharon Block
Chairman

Mary Betournay
Secretary